

Minutes of the Meeting of the Lottery Advisory Commission
October 18, 2004

Attendance

A meeting of the Lottery Advisory Commission was held from 10:00 a.m. to 12:00 noon on Monday, October 18, 2004, in the Roosevelt Park Room in the State Capitol in Bismarck. Representing the Commission were Chairman RaeAnn Kelsch, Representative Lois Delmore, Senator Jerry Klein, and Ms. Darlene Watne (by telephone). Representing the North Dakota Lottery were Mr. Chuck Keller, Director, Ms. Danielle Schaefer, Administrative Staff Officer, and Ms. Tammy Backhaus, Customer Relations Specialist. Also, Ms. Leslie Darfler, Ms. Anne Charpentier, and Mr. Dan Nameniuk of Scientific Games International, Inc. (SGI) participated in the meeting. No member of the public attended.

Commissioner Delmore made a motion to approve the minutes of the September 16, 2004, meeting. Commissioner Klein seconded the motion. The motion passed 4-0.

Chairman Kelsch, Ms. Watne, Mr. Keller, and Ms. Backhaus gave an overview of their experiences involving the launch of the Lottery's third game, Wild Card 2, on September 23, 2004. The lottery held special launch celebrations at four retailers located Jamestown, Bismarck, Minot, and Bismarck. The Lottery's first day sales for this game were very good and almost equaled the combined first draw sales of the other three participating state lotteries (Idaho, South Dakota, and Montana).

Ms. Backhaus distributed information regarding the license renewal process for the October 1, 2004 to September 30, 2005 licensing year. Eighteen retailers have weekly sales levels that are below the Lottery's established \$250 weekly minimum sales level. The Lottery sent one of three different types of letters to each of these retailers. The Lottery encouraged the 18 retailers to actively promote the sale of tickets and offered the retailers assistance. Ms. Backhaus reported that 9 retailers did not renew their lottery license as of October 1, 2004, eight of which were liquor stores located in Fargo and one grocery store in Washburn. She provided the Commission with a list of these 9 retailers and a list of 9 new retailers where the lottery terminals were going to be redistributed.

Ms. Backhaus reported that Lottery Advisory Board members have been selected. She provide the Commission with a list of the Board members. One-half of the members will serve a one-year term, and the other half will serve a two-year term, to stagger the terms.

Mr. Keller stated that representatives of the Lottery will meet with representatives of Scientific Games International, Inc. and H2M (advertising agency) on October 19th to discuss various marketing and promotional ideas in developing its short and long-term marketing plan. He described the Lottery's Wild Card 2 promotion that involves a corporate sponsorship with Allegiant Air. This promotion ended on October 16 and the prize drawings are scheduled for October 20.

Mr. Keller explained the Give-A-Gift promotion that will start in early December. The lottery terminal will be able to issue gift certificates to customers in amounts ranging from \$1 to \$100. A recipient may redeem a certificate in exchange for lottery tickets at any retailer. Mr. Keller said the Lottery's promotion will be similar to the Give-A-Gift concept presently enjoyed by the New Hampshire Lottery.

Mr. Keller stated that the Lottery plans to hire a 7th full-time employee and the position would be a second Customer Relations Specialist. The deadline for applications for the position is November 10, 2004. The Lottery intends to hire the new employee by December 31, 2004. Mr. Keller indicated that the Lottery needs a 7th employee to enable it to adequately assist licensed lottery retailers on sales strategy and promotional activities, including effective use of advertising, point-of-sale items, and premium incentives for retailer on-site and chain store special events. He said that the Lottery must have a close and strong relationship with retailers to successfully implement the Lottery's marketing plan and adequately support an anticipated growth as the Lottery introduces new games.

Mr. Keller said that the plan for 6 employees for the 2003-05 biennium was based on projections that only one game (Powerball) would be conducted and only 275 retailers would be licensed. However, during this biennium, the Lottery will actually be conducting 3, and maybe 4, games through its present network of 398 licensed retailers that are located in more than 120 towns and cities.

Mr. Keller reported that the State Auditors Office's audit of the Lottery's financial statements for the fiscal year ended June 30, 2004, is still in process and the Auditors Office will present its report to the Legislative Fiscal Review Committee. The Lottery reported state general fund revenue of about \$1.432 million for the period March 25 – June 30, 2004 and updated its state general fund revenue forecast to about \$4.5 million for the 2003-05 biennium. The estimated state general fund revenue for the 2005-2007 biennium is \$7.1 million. The audited financial statements and accompanying notes will be provided to the Commission at the next meeting.

Mr. Keller distributed a list of proposed amendments to the lottery law. He stated that the North Dakota Tax Department is providing the Lottery with proposed changes for the withholding of state income tax on prizes over \$5,000. Presently, the lottery law only provides for withholding of federal income tax on prizes over \$5,000. Mr. Keller indicated that the Tax Department has expressed a concern about sharing confidential individual and corporate income tax information with the Lottery for licensing retailers. He said that the Tax Department has recommended strengthening the lottery law which will be done.

Mr. Keller said that in the future the Lottery will enable players to buy subscriptions to buy lottery tickets for future periods of 13, 26, or 52 weeks. Presently, a player may buy tickets for only up to 8 future draws. He described the New Hampshire Lottery's experience with subscriptions and indicated that the New Hampshire Lottery estimates that a state lottery's gross sales would increase by at least 5% with subscriptions.

The next meeting of the Lottery Advisory Commission was tentatively set for December 6th. Commissioner Klein made a motion to adjourn the meeting. Commissioner Delmore seconded the motion. The motion passed 4-0.